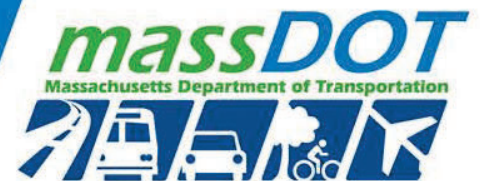


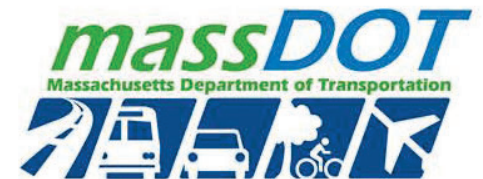


MassDOT
FY19 Operating Budget Presentation
June 11, 2018



Overview

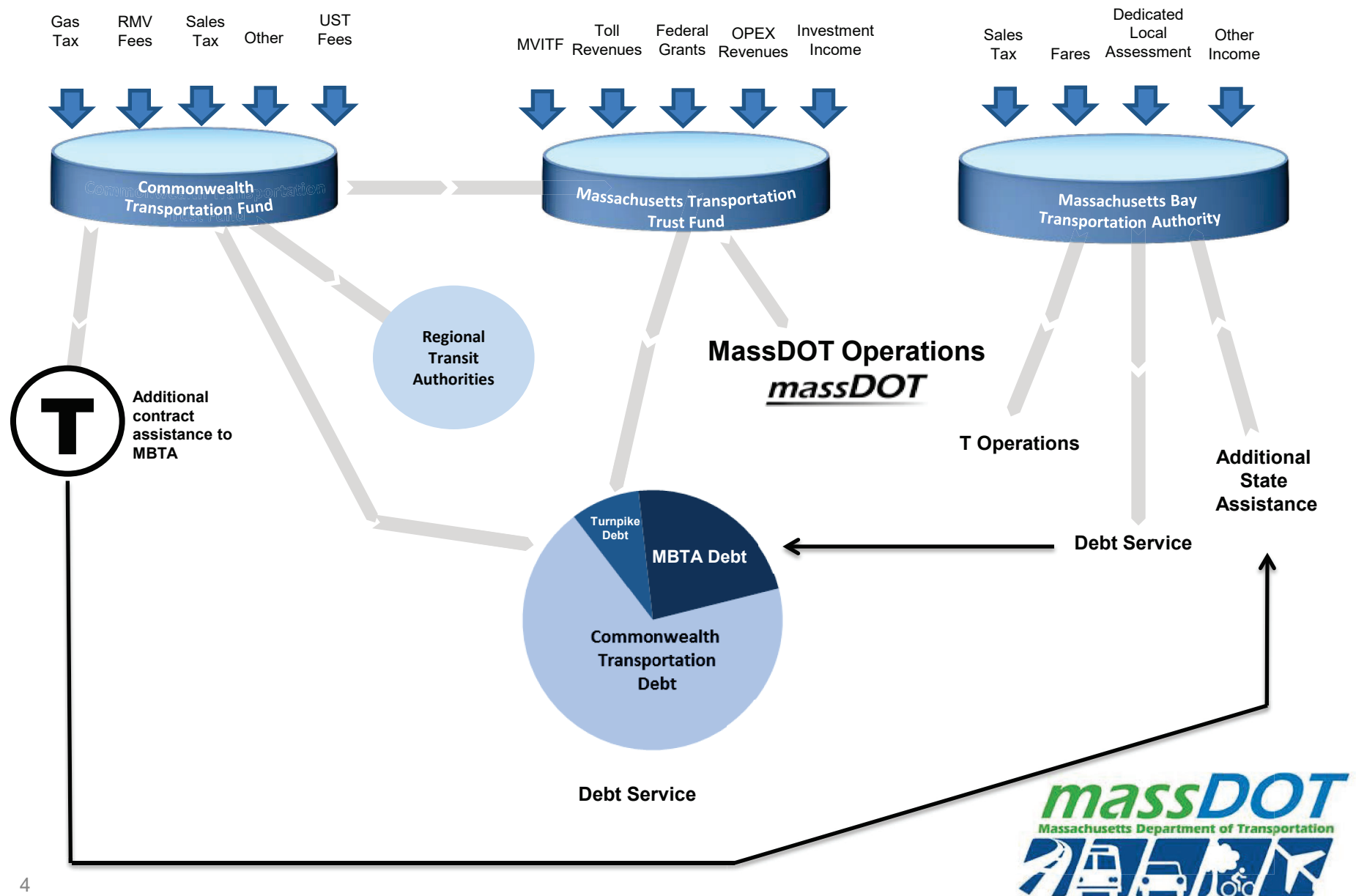
- This presentation will walk the Board through projections and key assumptions for the FY19 MassDOT Budget
- Key challenges:
 - Continued management of overtime
 - Increasing staffing levels
 - Reliance on \$45 million supplemental appropriations to fully fund snow and ice to \$83M
- Staff recommends and requests that the Board approve the FY19 Operating Budget as presented
 - Due to the ongoing state budget process, we have chosen to budget against the Senate's proposed Commonwealth Transportation Fund Transfer (CTF) of \$420.4M



FY19 Budget Highlights

- The budget maintains Highway headcount at 2,373 FTEs while funding for 25 additional RMV Customer Service Representatives to improve wait times with the implementation of Real ID
- Does not require withdrawals from MTTF non-toll operating reserves
- Continues to support the outside section implemented in FY18 to use capital funds for the state portion of costs for employees who work on federally funded capital projects
- Funds projected increased costs for credit card fees and postage in Toll Operations that have resulted from the implementation of AET and higher traffic volumes

Transportation Funding in Massachusetts is Complicated

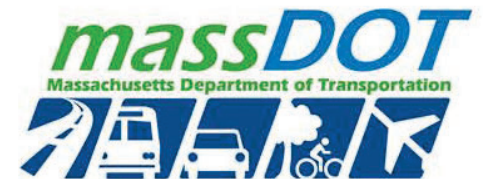


MassDOT's Budget

MassDOT's overall budget is comprised of two separate budgets funded from separate funding sources, Non-Toll Operating and Toll Operating

Non-Toll Operating Budget

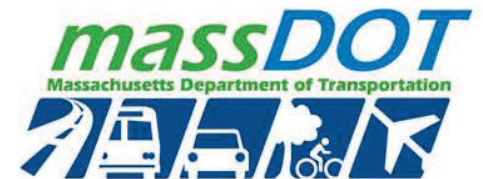
- Funding is provided in the form of transfers from the Commonwealth Transportation Fund (CTF) into the Massachusetts Transportation Trust Fund (MTTF) as well as departmental revenues, such as leases, real estate transactions and fee income
- The balance in the MTTF is available to the Department without further appropriation by the Legislature
- The Board approves the budget based on resources available in the MTTF but does not control the size of the CTF transfer, which is determined through the state budget process



MassDOT's Budget

Toll Operating Budget:

- Funding is provided through toll collections and departmental revenues, such as leases and fees
- Revenues can only be used to fund expenses associated with toll road operations
- Net revenues remaining after all toll operating expenses and debt service have been covered are available to fund paygo capital projects on the toll roads

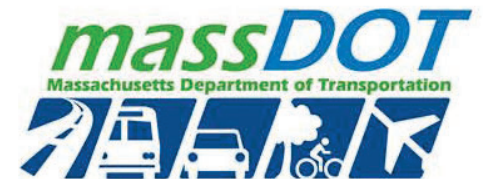


Non-Toll Operating Commonwealth Transportation Fund Transfer

(\$ in 000's)	FY18 Budget	FY19 H2*	FY19 HWM	FY19 SWM	FY19 SWM vs FY19 HWM	FY 19 SWM vs FY18	FY19 SWM vs FY18
Commonwealth Transfers							
MassDOT	303,342	367,679	323,109	322,679	(430)	19,338	6.4%
Non Snow & Ice	241,644	284,679	285,109	284,679	(430)	43,035	17.8%
Snow & Ice	61,697	83,000	38,000	38,000	0	(23,697)	(38.4%)
RTAs	80,400	80,400	82,000	88,000	6,000	7,600	9.5%
Merit Rating Board	9,405	9,768	9,405	9,768	364	364	3.9%
TOTAL	393,146	457,848	414,514	420,448	5,934	27,301	6.9%

- Operating
 - Non Snow & Ice increases to replace loss of \$20.7M in one-time revenue from real estate transactions in FY18; \$15.6M reserve draw in FY18; and \$6.7M net in salaries and fringe increase plus Real ID costs, Atlas costs, and RMV lease cost increases in FY19
 - H2 budget funded Snow and Ice to more closely reflect the 5 year average cost and reduce reliance on supplemental funding. HWM and SWM budgets fund Snow and Ice at \$38M and assume \$45M in snow and ice supplemental

***H2 recommended separating Snow & Ice funding from MassDOT operations;
however SWM and HWM chose to keep them funded from one appropriation**



FY19 Non-Toll Operating Revenue Summary

	FY2018	FY2019		
(\$ in 000's)	Budget	Budget	Variance \$	Variance %
REVENUE:				
Operating Revenue				
Departmental Fees	36,112	14,433	(21,679)	(60.0%)
Rental/Lease Income	9,716	12,156	2,440	25.1%
Total Operating Revenue	45,828	26,588	(19,239)	(42.0%)
Commonwealth Transfers				
Operations	241,644	284,679	43,035	17.8%
Snow & Ice	61,697	38,000	(23,697)	(38.4%)
RTA Contract Assistance	80,400	88,000	7,600	9.5%
Merit Rating Board	9,405	9,768	364	3.9%
Total Commonwealth Transfers	393,146	420,448	27,301	6.9%
Investment Income	955	1,567	612	64.1%
TOTAL REVENUE	439,929	448,604	8,675	2.0%

- (\$21.7M) Departmental Fees reduction due to removal of one-time real estate transaction budgeted in FY18
- \$43M Operations increase
 - \$20.7M removal of one-time revenue from real estate transactions in FY18
 - \$15.6M reserve draw in FY18
 - \$6.7M net in salaries and fringe increases, Real ID, Atlas and RMV lease increases in FY19
- (\$23.7M) Snow and Ice decreased by HWM and SWM
- \$7.6M RTA Contract Assistance increased by HWM and SWM



FY19 Non-Toll Operating Expense Summary

(\$ in 000's)	FY2018 Budget	FY2019 Budget	Variance \$	Variance %
EXPENDITURES:				
Employee Compensation and Benefits				
Salaries	183,861	181,817	(2,044)	(1.1%)
Overtime	10,115	10,941	826	8.2%
Fringe and Other Benefits	76,863	78,441	1,578	2.1%
Total Employee Compensation and Benefits	270,839	271,199	360	0.1%
Maintenance, Supplies, and Equipment	84,793	88,629	3,836	4.5%
Professional Services	31,231	36,274	5,043	16.1%
Office and Administrative	37,858	43,501	5,643	14.9%
Grants, Subsidies, Contract Assistance	81,696	88,000	6,304	7.7%
Interdepartmental Service Agreements (ISA)	11,309	7,198	(4,111)	(36.4%)
TOTAL EXPENDITURES	517,726	534,801	17,075	3.3%

- \$0.4M Employee Compensation and Benefits increased compared to FY18 budget
 - \$10.3M Salaries and overtime, including bargaining unit, step, and management increases, as well as the current proposed planned staff hires to reach the FTE cap of 3,615
 - (\$11.5M) Reductions are due to the Outside Section and Cost Allocation Plan updates
 - \$1.6M Fringe and Other Benefits, including proposed fringe rate increase, outside section and an updated cost allocation plan
- \$3.8M Maintenance, Supplies, and Equipment
 - Increase mainly to Snow and Ice hired equipment and materials
- \$5.0M Professional Services
 - \$1.8M IT related operating expenses due to Atlas system implementation
 - \$1.4M Additional security at RMV service centers and maintenance of security systems
 - \$1.4M Highway work-zone and traffic enforcement saturation patrols and critical services for rest areas



FY19 Non-Toll Operating Expense Summary cont.

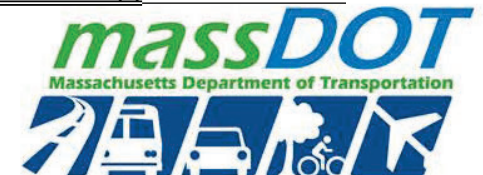
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TOTAL EXPENDITURES	517,726	534,801	17,075	3.3%

- \$5.6M Office and Administrative increases:
 - \$1.7M Additional funding for Highway fuel budget
 - \$1.5M RMV Branch lease escalations
 - \$1M Increase to Information Technology chargeback
 - \$0.9M Costs associated with RMV Real ID verification
- \$6.3M Grant, Subsidies, Contract Assistance
 - \$8M Increase in RTA Contract Assistance offset by elimination of FY18 earmarks of (\$1.3M)
- (\$4.1M) Interdepartmental Service Agreement (ISA)
 - (\$3M) No longer funding DCR snow and ice operations – anticipate that DCR will be appropriated funds directly
 - (\$1.1M) Various ISAs



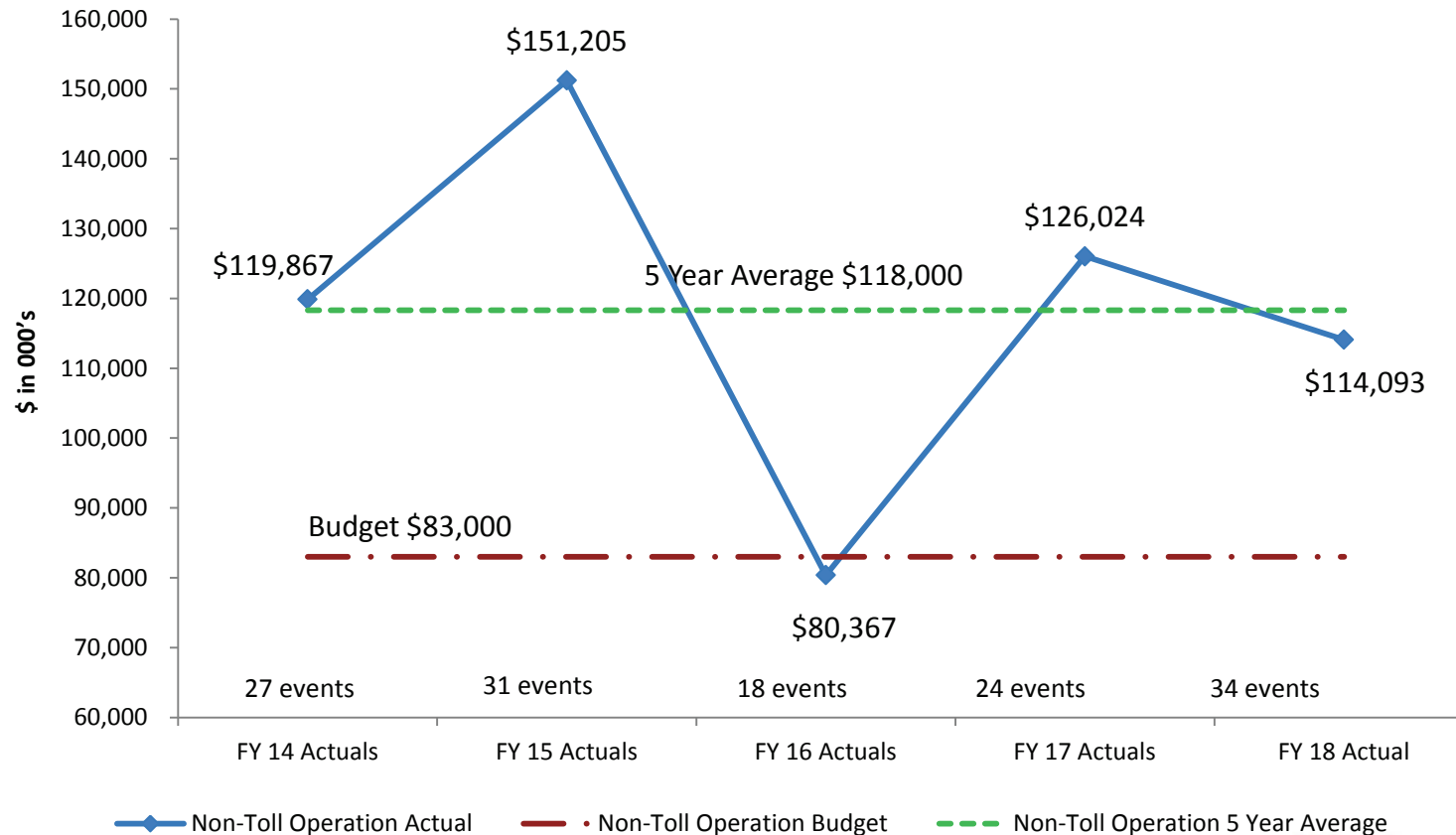
FY19 Non-Toll Operating Summary

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Interdepartmental Service Agreements (ISA)	11,309	7,198	(4,111)	(36.4%)
TOTAL EXPENDITURES	517,726	534,801	17,075	3.3%
Excess (deficit) Revenue over Expenditures before OFS	(77,798)	(86,198)	(8,400)	10.8%
Other Financing Sources (OFS):				
MVITF Transfer In	40,767	40,487	(280)	(0.7%)
Supplement	19,100	45,000	25,900	135.6%
Reserve	17,930	710	(17,220)	(96.0%)
Total Other financing Sources	77,798	86,198	8,400	10.8%
Net Revenue (Expense)	0	0	(0)	



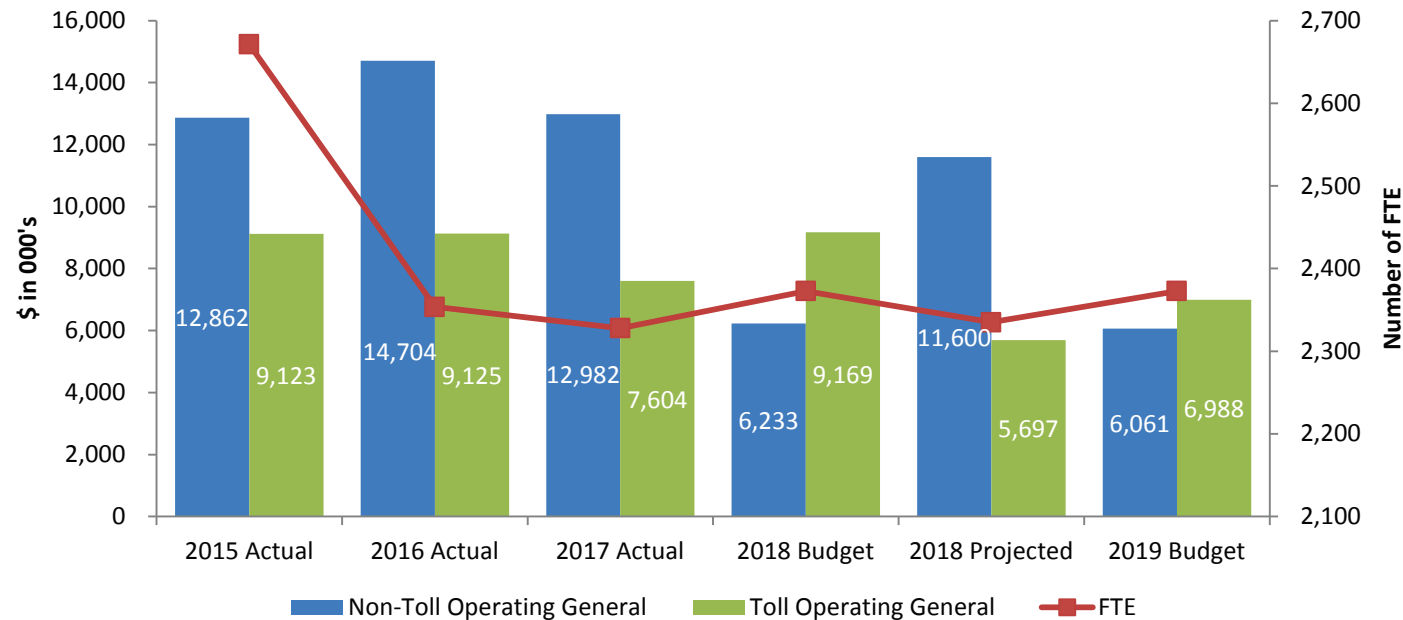
Non-Toll Budget Challenges

Snow and Ice: The FY 19 budget for snow and ice is \$83M. \$38M is funded through the CTF transfer and \$45M is assumed supplemental funding by the Legislature. The five year average spend on Snow and Ice operations is \$118M so additional supplemental funding will likely be required



Operating Budget Challenges

Highway Overtime: Highway continuing to manage overtime to allow funding of more positions



- FY13-FY19 excludes snow and ice overtime
- FY18-FY19 includes overtime charged to capital due to the outside section for comparison purposes
- FY16 FTE decrease due to ERIP

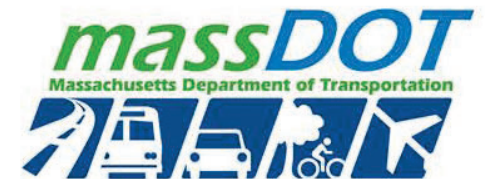


Toll Operating FY19 Revenue Summary

	FY2018	FY2019		
(\$ in 000's)	Budget	Budget	Variance \$	Variance %
REVENUE:				
Toll Revenue				
Toll Collections	381,400	384,800	3,400	0.9%
Departmental Fees	13,146	18,842	5,696	43.3%
Rental/Lease Income	34,294	37,611	3,317	9.7%
Total Toll Revenue	428,841	441,253	12,413	2.9%
Commonwealth Transfers	125,000	125,000	0	0.0%
Investment Income	4,532	6,963	2,431	53.6%
TOTAL REVENUE	558,373	573,217	14,844	2.7%

- \$3.4M Toll Collections increase
 - Based on Jacob's Traffic and Revenue Study
- \$5.7M Departmental Fees increase
 - Increase primarily due to one-time real estate sale transactions
- \$3.3M Rental/Lease Income increase
 - Amended agreement to be in line with current market
- \$2.4M Investment Income increase
 - Projected 30 basis points rate increase

*Through March toll revenues are at \$299.4M, or 78% of FY18 budget. This projects to total FY18 toll collections revenue of \$392.8M



FY19 Toll Operating Expense Summary

(\$ in 000's)	FY2018 Budget	FY2019 Budget	Variance \$	Variance %
EXPENDITURES:				
Employee Compensation and Benefits				
Salaries	53,460	54,699	1,240	2.3%
Overtime	12,129	10,087	(2,042)	(16.8%)
Fringe and Other Benefits	29,410	27,556	(1,854)	(6.3%)
Total Employee Compensation and Benefits	94,998	92,342	(2,656)	(2.8%)
Maintenance, Supplies, and Equipment	32,388	29,243	(3,144)	(9.7%)
Professional Services				
Toll Collection	38,256	41,775	3,519	9.2%
State Police	30,607	30,607	0	0.0%
Other	7,104	8,851	1,747	24.6%
Total Professional Services	75,967	81,233	5,266	6.9%
Office and Administrative	47,612	47,666	54	0.1%
Grants, Subsidies, Contract Assistance	3,213	1,729	(1,484)	(46.2%)
Interdepartmental Service Agreements (ISA)	2,275	1,910	(365)	(16.0%)
Debt Service	150,189	147,593	(2,596)	(1.7%)
TOTAL EXPENDITURES	406,643	401,717	(4,926)	(1.2%)

- (\$2.7M) Total reduction in employee compensation and benefits due to OT and ERIP savings
 - \$1.2M Salaries net increase of Bargaining unit, step, management increases, as well as planned staff hires
 - (\$2.0M) anticipated overtime savings
 - (\$1.9M) net reduced for vacation and sick buyout previously budgeted for ERIP offset by increased proposed fringe rate and fringe costs associated with payroll increases
- (\$3.1M) Maintenance, Supplies, and Equipment
 - Decreased mainly in programmatic facility equipment including transponders



FY19 Toll Operating Expense Summary cont.

(\$ in 000's)	FY2018 Budget	FY2019 Budget	Variance \$	Variance %
EXPENDITURES:				
Employee Compensation and Benefits				
Salaries	53,460	54,699	1,240	2.3%
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Debt Service	150,189	147,593	(2,596)	(1.7%)
TOTAL EXPENDITURES	406,643	401,717	(4,926)	(1.2%)

- \$5.3M Professional Services
 - \$3.5M Increased funding needed for credit card fees resulting from All Electronic Tolling
 - \$0.9M Increased net Miscellaneous (IT, Legal, HR and Highway services)
 - \$0.9M Increased Hazardous Waste Removal Services
- (\$1.5M) Grant, Subsidies, Contract Assistance
 - Reduction in operating funds for the Rose Kennedy Greenway
- (\$2.6M) Debt Service
 - Reduction based on savings realized on new swap contract



FY19 Toll Operating Summary cont.

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Toll Revenue				
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Interdepartmental Service Agreements (ISA)	2,275	1,910	(365)	(16.0%)
Debt Service	150,189	147,593	(2,596)	(1.7%)
TOTAL EXPENDITURES	406,643	401,717	(4,926)	(1.2%)
Excess (deficit) Revenue over Expenditures before OFS	151,730	171,499	19,769	13.0%
Available for Capital	151,730	171,499	19,769	13.0%



Consolidated FY19 Budget by Funding Source

(\$ in 000's)	Non-Toll Operating	Toll Operating	Federal Grants	MVITF	Total FY19 Budget
REVENUE:					
Toll Revenue	0	441,253	0	0	441,253
Operating Revenue	26,588	0	0	0	26,588
Commonwealth Transfers	420,448	125,000	0	0	545,448
Federal Grants	0	0	17,998	0	17,998
Motor Vehicle Inspection Trust Fund	0	0	0	55,528	55,528
Investment Income	1,567	6,963	0	95	8,626
TOTAL REVENUE	448,604	573,217	17,998	55,623	1,095,441
EXPENDITURES:					
Employee Compensation and Benefits					
Salaries	181,817	54,699	676	2,851	240,043
Overtime	10,941	10,087	0	100	21,128
Fringe and Other Benefits	78,441	27,556	275	1,508	107,780
Total Employee Compensation and Benefits	271,199	92,342	951	4,459	368,951
Maintenance, Supplies, and Equipment	88,629	29,243	4,197	2	122,071
Professional Services	36,274	81,233	4,517	6,900	128,924
Office and Administrative	43,501	47,666	1	64	91,231
Grants, Subsidies, Contract Assistance	88,000	1,729	8,330	0	98,059
Interdepartmental Service Agreements (ISA)	7,198	1,910	3	3,711	12,822
Debt Service	0	147,593	0	0	147,593
TOTAL EXPENDITURES	534,801	401,717	17,998	15,135	969,652
Excess (deficit) Revenue over Expenditures before OFS	(86,198)	171,499	(0)	40,487	125,789
Other Financing Sources (OFS):					
MVITF Transfer In/(Out)	40,487	0	0	(40,487)	0
Supplemental Funding for Snow & Ice	45,000	0	0	0	45,000
Reserve	710	0	0	0	710
Total Other financing Sources	86,198	0	0	(40,487)	45,710
Available for Capital	0	171,499	(0)	0	171,499



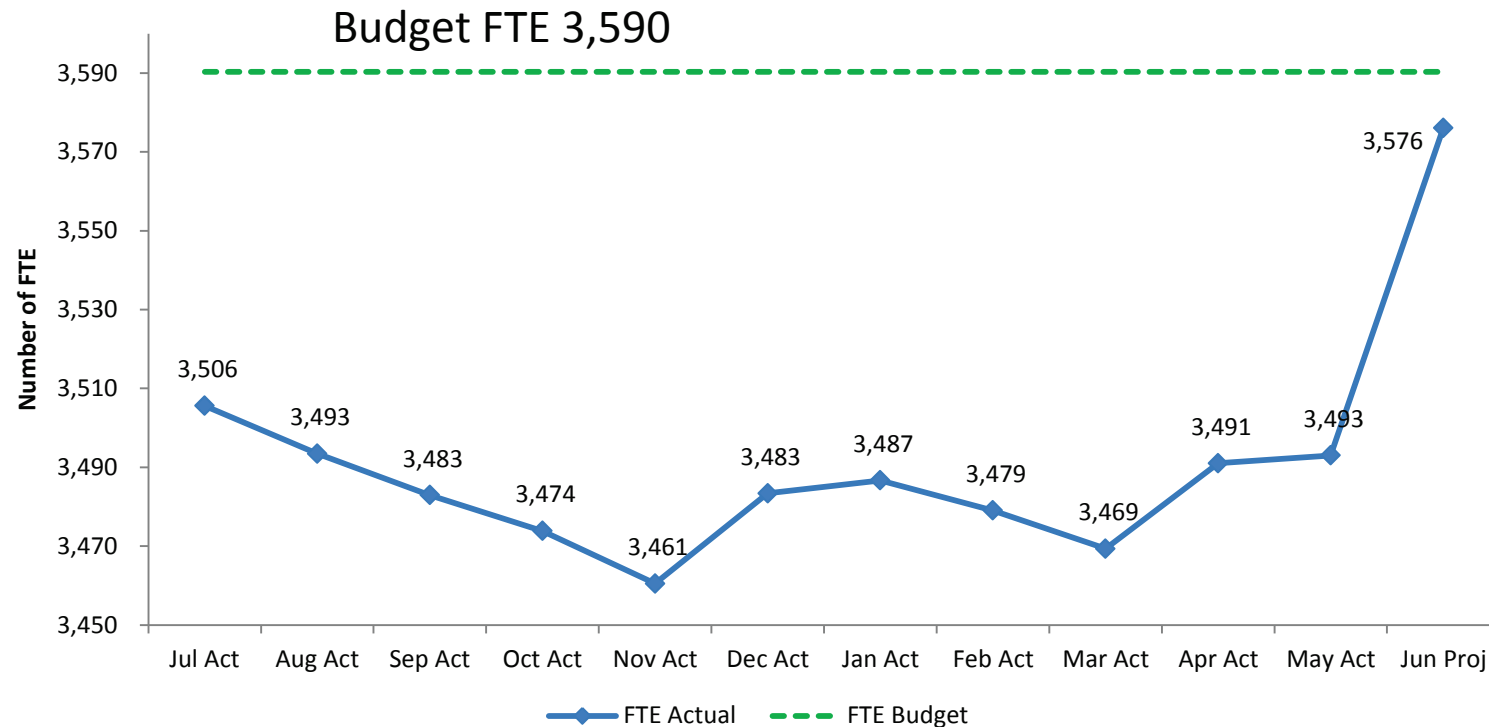
MassDOT FY19 FTE Breakdown

Division	Actual 5/26/2018	Projected 6/30/2018	FY18 Budget	Open FTE's Against FY18 Budget	Open FTE's Against Projected 6/30/2018	FY19 Budget
Aeronautics	13	13	13	0	0	13
Highway	2,301	2,338	2,373	72	35	2,373
Planning and Enterprise Services	420	436	453	33	17	445
Rail and Transit	11	12	13	2	1	13
Registry of Motor Vehicles	748	777	738	(10)	(39)	771
TOTAL	3,493	3,576	3,591	97	14	3,615

- FY 19 Budget is based on approved FTE staffing level of 3,615
 - Highway Division is hiring engineers for the delivery of the capital program and maintenance equipment operators and other job classifications that are needed to reduce overtime
 - Registry hiring is primarily related to customer service delivery
 - Planning and Enterprise divisions with anticipated hires includes Planning, Legal, Finance, General Services, and Security and Emergency Preparedness



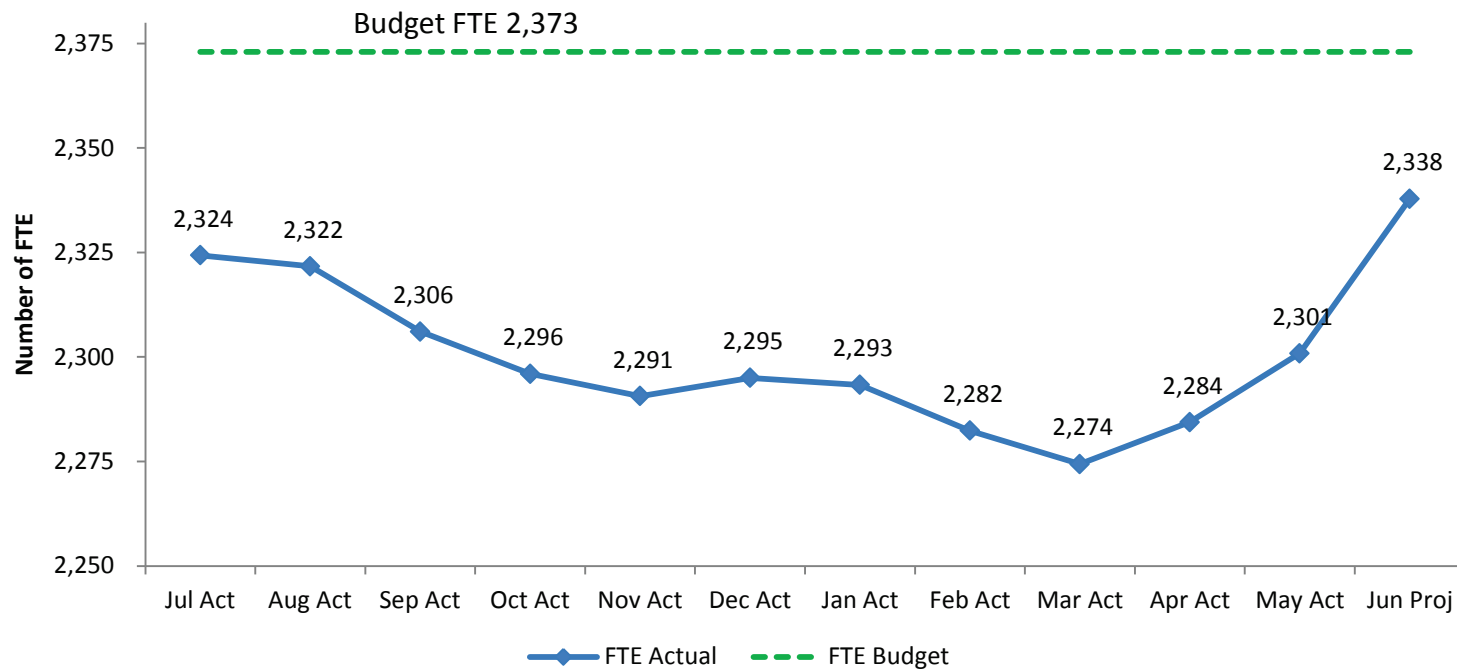
MassDOT FY 18 FTE Levels



- As of May 26, 2018 , MassDOT FTE is at 3,493 vs FY18 Budget of 3,590.
- Of the 97 open positions, 83 are projected to fill by June 30, 2018
 - Highway staffing is under budgeted FTEs
 - RMV is over budgeted FTEs



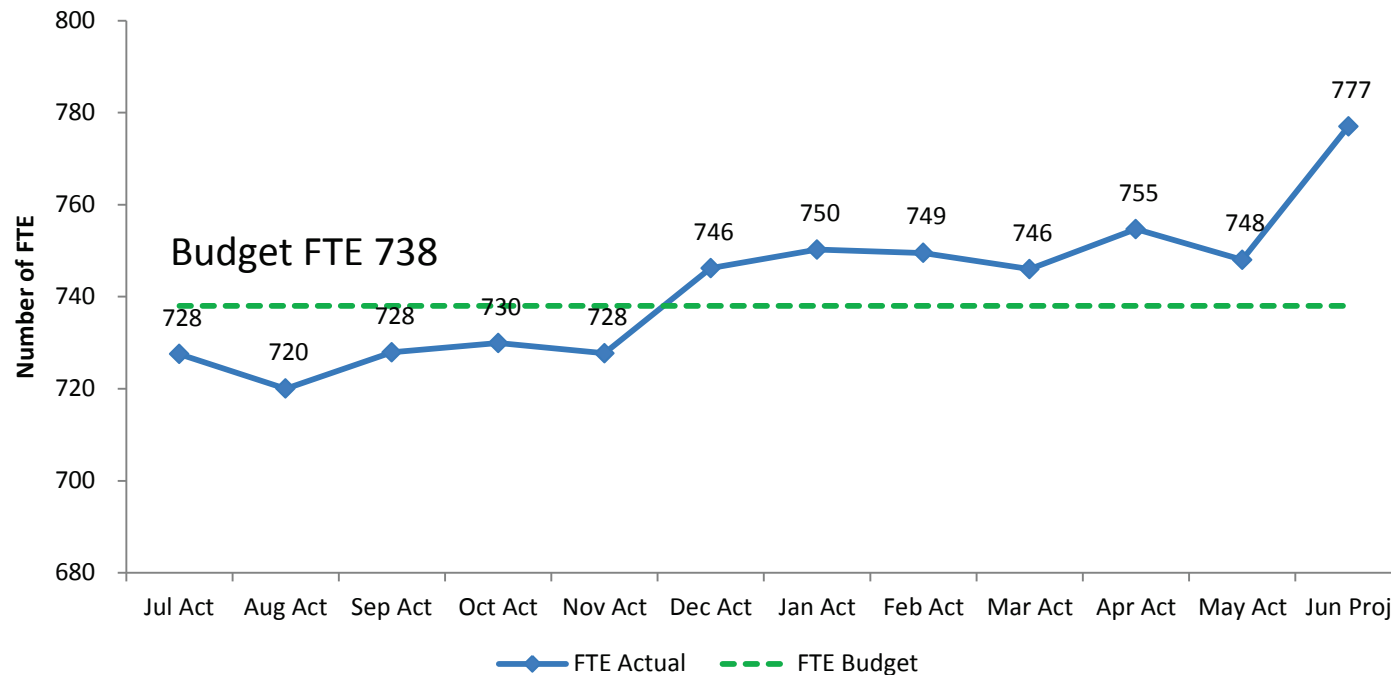
Highway FY 18 FTE Levels



- Highway loses an average 10 staff per month in engineering and maintenance, an annual attribution rate of approximately 7%
- Highway completed a major reorganization in the fall of FY18, which resulted in a revised assessment of hiring needs across all program areas
- Highway and Human Resources are now working on an intensive program designed to expedite the hiring process and to ensure hires are prioritized to meet service levels and program delivery goals



RMV FY 18 FTE Levels



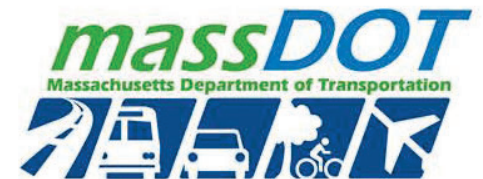
- RMV began staffing up with new employees in December in anticipation of the implementation of the Real ID program in March. By the end of June 2018, the FTE level is expected to be 777 due to the following:
 - Real ID implementation and to achieve wait time targets
 - Converting 25 temporary employees to full time employees to address vacancies/attrition



Outside Section

(\$ in 000's)	FY18 Budget	Projected FY18	FY19 Budget
Federal Reimbursement Shift to Capital	29,000	36,000	38,000
Expense Shift to Capital	(39,000)	(43,926)	(46,000)
Net Expense Shift to Capital	(10,000)	(7,926)	(8,000)

- Allows MassDOT to use approximately 1% of state bond cap (non-federal aid) to support \$1.3 billion annual (average) highway capital program
- FY19 Projected federal reimbursement of \$38M in salaries and fringe to capital vs FY18 budget of \$29M
- FY19 Projected to move \$46M in salaries and fringe to capital vs FY18 budget of \$39M
- The impact to the capital budget is a net shift of \$8M of non-federal aid (state bond cap) in FY19 vs \$10M budgeted in FY 18, due to a projected higher federal reimbursement rate



Outside Section cont.

Title Position	# of Impacted FTE
Civil Engineer	520
Engineering Aide II	14
Environmental Analyst	18
Genl Construction Inspector	157
Highway Traffic Inspector	6
MassDOT Bridge Inspector	55
MassDOT Construction Coord	12
MassDOT Ind Sfty Hlth Insp	8
Transportation Prg Planner	25
Various Position	39
TOTAL	854

- Data as of 5/29/18 for FY18
- Positions listed have coded at least a portion of their time on federally reimbursable capital projects
- Portion of salaries shifted to capital is based on employees' coding of timesheets to federally reimbursable projects

Outside Section cont.

FY18 Projected Outside Section Dollar shift to capital	FY18 Highway Projected Non-Toll /Non-Snow and Ice Employee Costs	% Highway Personnel Cost
44,000,000	195,300,000	22.5%

- The time coded to a federally reimbursable capital project of the 854 staffers amounts to a projected \$44 million shift to capital
- This calculates to 22.5% of all employee related costs for Highway

APPENDIX

Key Terms

Toll Revenue: Includes toll collections along with lease income along toll roads, court fines, violations, fees, permit income and sale of toll road real estate

Operating Revenue: Non-toll road revenue with the major categories including various fees and permits (registration, signs, access permits, non-reducible load permits, etc.), rental and lease income, and advertising revenue

Maintenance, Supplies, and Equipment: Major categories include photographic and micrographic services, facility equipment and Salts

Professional Services: Major categories include law enforcement, auxiliary services and IT tempt staff

Office and Administrative Expenses: In addition to general office supplies, this category includes expenses such as utilities and fuel for vehicles

